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EGYPTIAN BUSINESSMAN PLEADS
GUILTY IN MILITARY AID CASE
ALEXANDRIA, VA.

Government investigators say they can prove a former high CIA official and a Baltimore man overcharged the Defense Department millions of dollars for shipping military equipment to Egypt.

Hussein K.E.I. Salem, an Egyptian businessman, pleaded guilty Friday in U.S. District Court in the case and Assistant U.S. Attorney Theodore S. Greenberg said Salem was cooperating in an investigation of other individuals.

U.S. attorney Elsie L. Munsell said that under a plea bargain Salem and the company of which he is president, the Egyptian-American Transport and Service Co., known as Eatsco, each was fined \$20,000. In addition, Salem reimbursed the United States with a certified check for \$3,020,000.

The check covers a portion of the \$8 million the government said it was overcharged. The overcharges were said to have occurred on 34 shipments for which false invoices were submitted between November 1979 and December 1981.

The Justice Department said it was continuing "efforts to recover the remaining inflated costs."

In court, Greenberg named former CIA official Thomas K. Clines and Rolf Graage, president of R.G. Hobelmann and Co. of Baltimore, as being involved in the case. The prosecutor said, "The government can further prove that these individuals concealed profits from the Defense Security Assistance Agency through an intermediary, Air Freight International Inc."

Salem and Clines, a former assistant to the CIA's deputy director for operations, the agency's chief position directing undercover activities, formed Eatsco in 1979.

The government had charged that Salem and Eatsco "agreed to and did file false statements with the Department of Defense and the DSAA, regarding the cost of shipping military goods to Egypt."

In 1979, Egypt designated Eatsco as its agent to ship defense items and services to Egypt under the United States-Egyptian Foreign Military Sales Loan Agreement.

The agreement provided the shipments must be made on American flag vessels. Eatsco contracted with Hobelmann to do the actual shipping.